

## **Opening Statement of Sen. Chuck Grassley**

Good morning. The hearing will come to order.

I'm glad to welcome you to today's hearing. As a strong proponent of long-term care insurance, I can say that it's critical for Americans to become aware of and familiar with this product.

About 3 million older Americans have long-term care insurance now. More are buying it every day. At least one of the big companies is running national TV commercials.

The increased popularity is generally a good development. People want long-term care insurance for two main reasons:

(1) Nursing home care is expensive. It can cost as much as \$50,000 a year. Most people don't have the cash to pay for it. Medicare doesn't cover it. For Medicaid to pay for it, people must first impoverish themselves. Furthermore, most seniors are reluctant to rely on adult children to help cover the costs. They don't want to burden their children.

(2) It can help preserve quality of life. Most people want to avoid nursing homes. Long-term care insurance can help them do that. Most products offer alternative services to nursing home care, such as adult day care services, home health care services and assisted living. Some policies even pay for home care by a family member.

Those were common considerations for more than 2,000 North Dakotans who bought long-term care policies from Acceleration Life Insurance Company a few years ago. Unfortunately, they didn't count on the large and rapid increases in the premiums they were paying for the policy. These increases were so large and rapid that these policyholders were forced to drop their policies with nothing to show for them.

Harold Hanson is typical. Now 96, the former rancher lives alone and still cooks for himself. In 1987, he bought an insurance policy with a premium of \$1,498 a year. By 1996, the premium was \$6,158.

Concerned about the rising costs, Mr. Hanson wrote letters, trying to put a stop to the steep increases. He wasn't successful. He concluded that he couldn't afford the policy. The company kept everything he'd paid over the years in premiums. Ultimately, he and other policyholders filed suit and won their case. We'll hear more about this case from one of our witnesses.

What's wrong here is very simple. People should get what they pay for, and they should know what potholes might lie in the road ahead.

It's one thing if you sign up for insurance coverage knowing that your rates might drastically increase. It's another thing if you didn't know and you were left out in the cold. That's a bad practice in any sales industry. It's especially bad when people are using their limited incomes to take responsibility for financial obligations during their old age.

My interest now is building greater accountability to consumers from those insurance companies who might jack up rates without saying so.

Shopping for a product can be a daunting task. Each feature requires a decision. The list is long: inflation protection, non-forfeiture, guaranteed renewability, waiting periods, maximum length of coverage, maximum lifetime benefit, and per diem payments. The difficulty of these decisions is

compounded by the impossibility of knowing exactly what -- if any -- services you may need. Despite these complexities, the price is the key factor in most people's decision to purchase.

Lately, regulators and companies are doing more to disclose information about rate setting practices. For instance, the state of California made companies give consumers the history of rate increases for the products being sold.

The National Association of Insurance Commissioners recently adopted new model regulations requiring greater protection for long-term care insurance consumers.

The NAIC proposal has gone out to all states for consideration and adoption. I'm raising this issue in Congress because we're considering legislation to give a tax incentive to individuals who buy long-term care policies. I'm the principal sponsor of that legislation.

A federal tax break would stimulate long-term care insurance sales. It also would indicate to consumers that such policies are safe and government-endorsed. As the sponsor of that legislation, and as a strong believer that private long-term care insurance should be part of everyone's planning for retirement, I believe I have a special responsibility to ensure that consumers are protected when they buy a policy. A federal tax break amounts to a government seal of approval. An insurance policy should be worthy of that seal.

Long-term care insurance is a great concept. It will help a lot of people. We have to make sure it's a great product.

### **Closing Statement of Sen. Chuck Grassley**

Today's testimony supports my instinct that we should protect long-term care insurance consumers from large, unexpected rate increases. When people are priced out of their policies, they lose the money they paid in premiums. And they have a terrible time getting insurance with another company. I want to prevent those hardships.

As I mentioned at the outset, I'm the principal sponsor of legislation establishing a federal tax incentive for those who buy long-term care insurance.

Therefore, I plan to amend my bill, S. 2225, the *Long-Term Care and Retirement Security Act of 2000*, to include a consumer protection provision.

The amended bill will require that long-term care insurance plans billed as federally qualified plans include a provision that protects consumers of these policies from unexpected and extreme rate hikes.

This is important for protecting consumers and preserving the integrity of these products. It's also a necessary element in a federal tax bill. Without this protection, the federal government runs the risk of allowing for favorable tax treatment without assurances that the consumer can pay the premiums for the life of the policy.

If consumers are priced out of policies, the government runs the risk of paying twice if those same consumers turn to Medicaid for help with long-term care costs.

Therefore, consumer protections will benefit long-term care insurance policyholders and all taxpayers.

Since our legislative session will end in October, I plan to amend my bill as quickly as possible and hope for legislative success on the entire package this year.

Thank you. This hearing is adjourned.